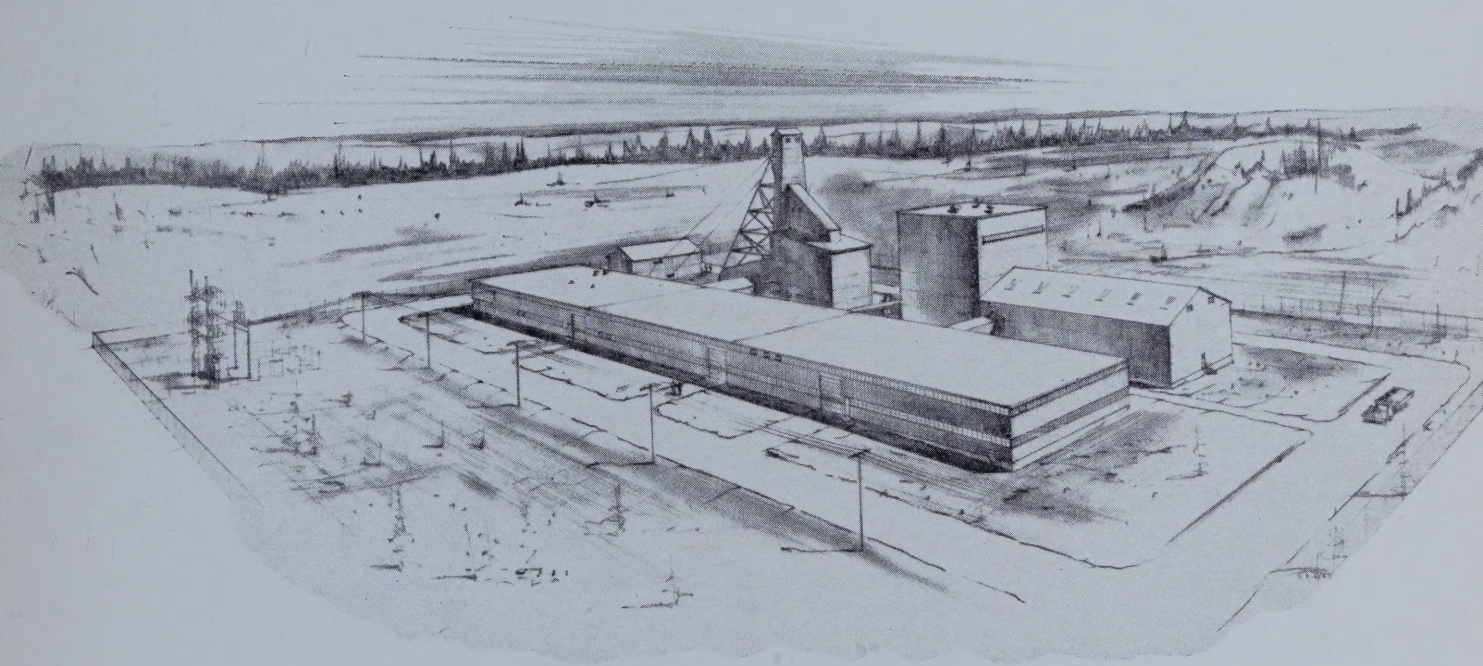


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North Coldstream Mines Limited

Annual Report



For Year Ended December 31, 1966

North Coldstream Mines Limited

OFFICERS	G. D. PATTISON, C.A. - - - - - President P. S. CROSS, B.Sc., P.Eng. - - - - - Vice-President R. D. BELL, C.A. - - - - - Secretary-Treasurer
DIRECTORS	R. D. BELL, C.A. - - - - - Toronto, Ontario P. S. CROSS, B.Sc., P.Eng. - - - - - Toronto, Ontario K. A. DAVIS - - - - - Toronto, Ontario E. T. DONALDSON - - - - - Toronto, Ontario A. B. LASH - - - - - Toronto, Ontario L. J. MOREAUX - - - - - Dearborn, Michigan G. D. PATTISON - - - - - Aurora, Ontario
MINE MANAGER	G. H. MONTGOMERY, B.Eng., P.Eng. - - - - Burchell Lake, Ontario
AUDITORS	CLARKSON, GORDON & CO. - - - 15 Wellington St. W., Toronto, Ont.
REGISTRAR AND TRANSFER AGENT	EASTERN & CHARTERED TRUST COMPANY - 1901 Yonge St., Toronto, Ontario
HEAD OFFICE	SUITE 509, 25 ADELAIDE STREET WEST - - - - Toronto, Ontario
MINE OFFICE	BURCHELL LAKE, ONTARIO
ANNUAL MEETING	Tuesday, April 25, 1967, at 11:00 o'clock in the forenoon (Toronto time), Toronto Room, King Edward Sheraton Hotel, Toronto, Ontario.
FRONT COVER	Architect's Drawing of Plant

North Coldstream Mines Limited

Suite 509, 25 Adelaide Street West
Toronto 1, Ontario

Directors' Report

To the Shareholders:

Submitted herewith are the financial statements of your Company for the year ended December 31, 1966, with Auditors' Report dated February 23, 1967.

Also included is the report dated February 9, 1967 of Kerr Addison Mines Limited, managers of your Company's mining operation at Burchell Lake, Ontario, together with the report dated January 27, 1967 of Mr. G. H. Montgomery, Mine Manager, on the operations of the mine during the year 1966.

Operating profits for the year 1966 before depreciation and other amounts written off amounted to \$2,272,413 as compared with \$2,068,301, the previous year. The improvement was due to an increase in the value of metals recovered. Net profit for the year after write offs amounted to \$516,684 as compared with \$384,141 the previous year.

The managers expect that the mining of all known ore will be completed in April of 1967 but low grade wall rock caving into the open stope areas will prolong operations beyond such time.

Your Company holds for investment 2,000,000 shares of Consolidated Mogul Mines Limited representing about 26.6% of that Company's issued shares. Enclosed for your information is a Progress Report dated March 28, 1967 recently sent by Consolidated Mogul to its shareholders reporting on progress at the mine of its Irish subsidiary which is scheduled to commence production early in 1968.

Your Directors wish to thank Kerr Addison Mines Limited, Mr. G. H. Montgomery, the mine staff and employees for their support and efforts in operating the Company's mine.

On behalf of the Board,

Toronto, Ontario,
April 3rd, 1967.

G. D. PATTISON,
President.

North Coldstream Mines Limited

Mr. G. D. Pattison, President,
North Coldstream Mines Limited,
509 - 25 Adelaide Street West,
Toronto 1, Ontario.

February 9, 1967

Dear Mr. Pattison:

Kerr Addison Mines Limited, as managers of North Coldstream Mines Limited, Burchell Lake, Ontario, submits the following report for the year ended December 31, 1966.

Gross value of metal produced before smelting, mining and marketing charges was \$5,313,538 from the milling of 343,835 tons of ore.

The daily milling rate decreased slightly to 942 tons per day from 1,000 tons per day in the previous year. This decrease was largely due to a ten-day shut down required to effect repairs to the grinding unit in the concentrator. The grade of ore milled was 1.67% copper compared to 1.86% copper the previous year, while recovery at 95.29% was virtually unchanged from 95.27%.

Proven ore reserves at December 31, 1966 were 103,000 tons with an average copper content of 1.95%. After milling 343,835 tons, ore reserves decreased by 246,000 tons.

Development work underground was confined to that required for the extraction of several small ore bodies. It is expected that these will all be mined out before the end of April. It is hoped that production can be maintained at a rate close to 900 tons daily until the end of the first quarter. From that time forward, working places will be so restricted that production will taper off until all ore is extracted.

Surface exploration was continued in areas adjacent to the mine. Several properties were examined, but none warranted further work. Nothing of interest was disclosed in the diamond drilling of three electromagnetic anomalies discovered in 1965.

The report of the Mine Manager, Mr. G. H. Montgomery, covering operations at North Coldstream for the year ended December 31, 1966 is enclosed.

Yours very truly,

KERR ADDISON MINES LIMITED,

J. H. STOVEL,
Executive Vice-President.

North Coldstream Mines Limited

Manager's Report

Mr. J. H. Stovel,
Executive Vice-President,
Kerr Addison Mines Limited,
1600 - 44 King St. West,
TORONTO 1, Ontario.

Dear Mr. Stovel:

The report of the operations of North Coldstream Mines Limited for the year ended December 31, 1966 is submitted herewith.

SUMMARY OF PRODUCTION

PRODUCTION:

	<u>1966</u>	<u>1965</u>
Total Tonnage Milled	343,835	365,082
Average Daily Tonnage	942	1,000
Average Grade	1.67% Cu	1.86% Cu
Copper Recovery	95.29%	95.27%
Percentage Operating Time	94.35	96.61
Concentrate Grade		
Copper	26.69%	26.44%
Gold	0.111 oz./ton	0.125 oz./ton
Silver	2.21 oz./ton	2.31 oz./ton
Concentrate Shipped	20,550.06 tons	24,605.93 tons
Content of Concentrate Shipped		
Copper	10,951,137 lbs.	13,014,279 lbs.
Gold	2,317.97 oz.	3,104.90 oz.
Silver	44,728 oz.	56,738 oz.

The average daily tonnage milled decreased from 1,000 tons per day to 942 tons per day. This reduction was mainly due to a shut down of 10 days in February to permit the repair of cracks which developed in the shell of the primary grinding mill. The mill has operated at a slightly lower rate since that time.

DEVELOPMENT AND MINING:

Development and Stope Preparation during 1966 was confined to the preparation for mining of several small orebodies.

Ore broken during development, stope preparation, and stoping totalled 327,360 tons and 346,930 tons of ore were trammed.

It is expected that the mining of all currently known ore will be completed in April. Low grade wall rock caving into the open stope areas will, however, prolong operations beyond this date.

SUMMARY OF DEVELOPMENT AND EXPLORATION DURING 1966

Levels	ADVANCE IN FEET					Slashing in Cu. Ft.
	Drifts & X-Cuts	Raises	Box Holes	Sub Drifts	Diamond Drilling	Develop. Slashing
200	14					160
350	44	105			249	5,760
500	70	70		7		2,400
650	11	28			238	5,600
800	335	213	32	79		3,900
950	38	112		31		670
1100	70	382	36	19	121	5,260
1250		65	13			100
1400						
TOTALS	582	975	81	136	608	23,850
TOTALS IN 1965	205	1,547	599	1,331	1,379	77,470
TOTALS 1957-66	22,145	19,816	8,965	9,670	144,985	634,255

EXPLORATION:

No further exploration was carried out underground during 1966 as this program had been completed during 1964.

Surface exploration continued throughout the year. Reconnaissance work was carried out in areas adjacent to the mine. Seven properties which were brought to our attention by local prospectors were also inspected. None of this work warranted more than routine preliminary geophysical surveying.

Three electro-magnetic anomalies discovered during 1965 were tested by diamond drilling which revealed that they were produced by schisted graphites containing varying amounts of pyrite and pyrrhotite.

Geophysical surveying during 1966 amounted to 50.9 line miles.

ORE RESERVES:

Ore reserves at December 31, 1966, after allowing for dilution, were estimated to be 103,000 tons having an average grade of 1.95% copper.

	Tons	% Cu	Tons	% Cu
Surface to 800-foot level			37,240	1.66
800 to 950-foot level	36,800	2.53		
950 to 1100-foot level	21,880	1.54		
1100 to 1250-foot level	7,080	1.67		
1250 to 1400-foot level	—	—		
800 to 1400-foot level			65,760	2.11
Total Reserve at December 31, 1966			103,000	1.95
Total Reserve at December 31, 1965			349,000	2.09

The reserve at December 31, 1966 includes 56,690 tons of broken ore having an average grade of 1.79% copper.

GENERAL:

No major additions were made to the plant or equipment during the year.

Labour conditions were remarkably stable and turnover was much lower than had been anticipated. The total working force at December 31, 1966 was 143.

I again wish to sincerely thank the Department Heads, Staff and all employees for their continuing co-operation, efforts and loyalty during 1966. I also wish to thank the Executive Officers and Directors for their assistance and support.

Respectfully submitted,

Burchell Lake, Ontario,
January 27, 1967.

G. H. MONTGOMERY,
Manager.

North Coldstream

(Incorporated under the laws of the Province of Ontario)

Balance Sheet

(with comparative figures for 1965)

ASSETS

	1966	1965
Current:		
Cash and short-term notes	\$ 792,535	\$1,793,783
Marketable securities — at cost		1,390,100
Metal settlements outstanding at estimated realizable value	1,581,067	1,409,121
Accounts receivable	21,132	25,452
	<u>2,394,734</u>	<u>4,618,456</u>
Deferred:		
Stores and supplies — at cost	206,974	312,021
	<u>206,974</u>	<u>312,021</u>
Investment in shares of Consolidated Mogul Mines Limited — at cost (note 1)	7,000,000	
	<u>7,000,000</u>	
Fixed:		
Plant, buildings and equipment — at cost	4,356,073	4,354,779
Less accumulated depreciation	4,331,637	3,679,986
	<u>24,436</u>	<u>674,793</u>
Mining properties — at cost less amounts written off	138,712	237,711
	<u>138,712</u>	<u>237,711</u>
	<u>163,148</u>	<u>912,504</u>
Other:		
Preproduction and development expenses less amounts written off	49,438	818,912
Power line and other hydro deposits	55,956	68,155
Special refundable tax	68,080	
	<u>173,474</u>	<u>887,067</u>
	<u>\$9,938,330</u>	<u>\$6,730,048</u>

AUDITOR'S REPORT

To the Shareholders of
North Coldstream Mines Limited:

We have examined the balance sheet of North Coldstream Mines Limited as at December 31, 1966 and the statements of operations and earned surplus and source and application of funds for the year ended on that date. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

Toronto, Canada,
February 23, 1967.

Mines Limited

(Incorporated under the laws of Ontario)

December 31, 1966

(December 31, 1965)

LIABILITIES

	1966	1965
Current:		
Accounts payable and accrued charges	\$ 214,373	\$ 142,396
Note payable (note 1)	1,447,101	
Mining and other taxes payable	150,520	80,000
Current portion of amount payable for mining rights	341,000	132,000
	<u>2,152,994</u>	<u>354,396</u>
Deferred:		
Payable to The Shield Development Company Limited for mining rights (less current portion included above)		107,000
		<u>107,000</u>
Capital (notes 1. and 2):		
Authorized — 7,000,000 shares of no par value		
Issued and fully paid — 5,438,696 shares	7,454,349	6,454,349
Earned surplus	330,987	(185,697)
	<u>7,785,336</u>	<u>6,268,652</u>
	<u>\$9,938,330</u>	<u>\$6,730,048</u>

On behalf of the Board:

G. D. PATTISON, Director.

R. D. BELL, Director.

(See accompanying notes to financial statements)

REPORT

In our opinion the aforementioned financial statements present fairly the financial position of the company as at December 31, 1966 and the results of its operations and the source and application of funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

CLARKSON, GORDON & CO.,
Chartered Accountants.

North Coldstream Mines Limited

Statement of Operations and Earned Surplus

YEAR ENDED DECEMBER 31, 1966

(with comparative figures for 1965)

	1966	1965
Revenue:		
From production	\$5,313,538	\$4,934,909
Interest and sundry	64,294	97,686
	<u>5,377,832</u>	<u>5,032,595</u>
Expense:		
Cost of metal production including mining, milling and marketing charges	2,698,548	2,795,116
Administrative and general (including directors' fees of \$1,300)	84,030	68,463
Interest	149,622	
Outside exploration	18,219	20,945
Mining tax	155,000	79,770
	<u>3,105,419</u>	<u>2,964,294</u>
Profit before depreciation and other amounts written off	2,272,413	2,068,301
Depreciation on plant, buildings and equipment	653,256	653,341
Preproduction and development expenses written off	769,474	769,474
Amount written off mining properties	332,999	261,345
	<u>1,755,729</u>	<u>1,684,160</u>
Net profit for the year (note)	516,684	384,141
Deficit at the beginning of the year	(185,697)	(569,838)
Earned surplus (deficit) at the end of the year	<u>\$ 330,987</u>	<u>\$ (185,697)</u>

NOTE: No income taxes appear to be payable on the profit for the year because of the deduction for income tax purposes of depreciation, preproduction and development expenses charged against income in prior years.

North Coldstream Mines Limited

Statement of Source and Application of Funds

YEAR ENDED DECEMBER 31, 1966

(with comparative figures for 1965)

Funds provided:

	1966	1965
Operations —		
Net profit for the year	\$ 516,684	\$ 384,141
Charges to operations that did not require an outlay of funds:		
Depreciation	653,256	653,341
Preproduction and development expenses	769,474	769,474
Write off of mining properties	98,999	171,345
	<u>\$2,038,413</u>	<u>1,978,301</u>
Refund of power line deposit	12,199	12,373
Reduction in stores and supplies inventory	105,047	16,491
	<u>2,155,659</u>	<u>2,007,165</u>

Funds applied:

Purchase of shares in Consolidated Mogul Mines Limited	6,000,000	
Purchase of fixed assets (net)	2,899	1,216
Special refundable tax paid	68,080	
Reduction of deferred liability	107,000	42,000
	<u>6,177,979</u>	<u>43,216</u>
Increase (decrease) in working capital	(4,022,320)	1,963,949
Working capital, beginning of year	4,264,060	2,300,111
Working capital, end of year	<u>\$ 241,740</u>	<u>\$4,264,060</u>

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 1966

- On February 2, 1966 the company purchased 2,000,000 shares of Consolidated Mogul Mines Limited at an aggregate consideration of \$7,000,000 as follows:
 - \$3,000,000 in cash;
 - \$1,000,000 by the issuance of 1,000,000 shares of North Coldstream Mines Limited as fully paid and non-assessable;
 - \$1,400,000 by the issuance of a 6% promissory note which was paid during the year;
 - \$1,600,000 by the issuance of a 6% promissory note payable in ten monthly principal payments plus accrued interest, commencing November 1966.
 - The investment in Consolidated Mogul Mines Limited represents approximately 26% of the issued shares of that company. These shares had a quoted market value of \$6,500,000 at December 31, 1966, however, this does not necessarily represent the value of this investment which may be more or less than that indicated by market quotations.
- Supplementary letters patent were issued on February 2, 1966 increasing the authorized capital by the creation of an additional 2,000,000 shares without par value.
- The company is expected to cease mining operations during 1967.

